

Message Text

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73

ACTION XMB-07

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 STR-08 SS-20 NSC-10

INT-08 SSO-00 NSCE-00 USIE-00 INRE-00 DRC-01 /135 W

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O R 232356Z JAN 74

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC IMMEDIATE 2158

INFO AMCONSUL HONG KONG

AMEMBASSY TOKYO

C O N F I D E N T I A L SEOUL 534

FOR EXIMBANK

EO 11652 GDS

TAGS: BEXP, EFIN, JA, KS

SUBJECT: 125 MILLION DOLLAR EXPORT OPPORTUNITY: STEEL MILL
FOR ROK

REF: TOKYO 849 (NOTAL)

1. INFORMATION CONCERNING POHANG STEEL CO'S INTEREST IN OBTAINING U.S. EQUIPMENT AS RELAYED TO EMBASSY TOKYO BY MITSUBISHI IS ESSENTIALLY CORRECT. FIRST EVIDENCE WE HAD OF KOREAN DESIRE FOR U.S. PARTICIPATION WAS DURING EXIM VICE PRESIDENT JOSEPH RAND'S VISIT LAST WEEK. MINISTER OF COMMERCE AND INDUSTRY, CHUNG HI-JOON, TOLD RAND THAT POHANG DIRECTOR, AHN BYONG HWA, HAD ALREADY INITIATED DISCUSSIONS WITH EXIM IN WASHINGTON EARLIER IN THE MONTH. AT THAT TIME, CHUNG TOLD POHANG DIRAZTOR ONLY INDICATED INTEREST IN \$38 MILLION BLAST FURNACE AND LEFT OUR \$140 MILLION COLD ROLLING MILL BECAUSE HE DID NOT WANT TO "SHOCK" EXIM WITH TOO LARGE A REQUEST ALL AT ONCE. MINISTER ADDED THAT IF THERE WAS EXIM CEILING THEN
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POHANG PROJECT ENJOYED ABSOLUTE PRIORITY.

2. RAND EXPLAINED, AS HE DID ON OTHER OCCASIONS DURING VISIT, THAT EXIM HAD NO QUOTA NOR CEILING ON LENDING TO KOREA. HOWEVER, AS EXIM EXPOSURE MOUNTED, EXIM WOULD HAVE TO LOOK CAREFULLY AT EACH INDIVIDUAL REQUEST.

3. END OF LAST WEEK, EMBASSY WAS CONTACTED BY SENIOR POHANG OFFICIAL AND BY CHASE MANHATTAN BANK SEOUL BRANCH AS INTERESTED COMMERCIAL BANK PARTICIPANT IN POSSIBLE FINANCING. BOTH CONCENTRATED ON NEED FOR BLAST FURNACE AND CONFIRMED THAT POHANG VICE PRESIDENT WILL VISIT WASHINGTON FOR EXIM DISCUSSIONS IN EARLY FEBRUARY.

4. EMBOFFS HAVE APPOINTMENT WITH POHANG PRESIDENT TODAY AND WILL RELAY ANY USEFUL INFORMATION OBTAINED.

5. EMBASSY COMMENT: WE ARE SOMEWHAT PUZZLED THAT JAPANESE SUPPLIERS WOULD BOW OUT OF GOOD DEAL IN ORDER TO SAVE MONEY FOR KOREANS WITH LESS EXPENSIVE U.S. EQUIPMENT. WE DO NOT WANT, OF COURSE, TO LOSE GOOD SALES OPPORTUNITY, BUT WE ARE REMINDED THAT ORIGINAL POHANG PROJECT WAS INITIALLY CONSIDERED AND LATER DROPPED BY U.S. WHEN WORLD BANK INDICATED PROJECT NOT FEASIBLE. JAPANESE TOOK IT OVER AND ARE NOW APPARENTLY SEEKING U.S. FINANCING TO HELP BAIL THEM OUT OF WHAT HAS PREVIOUSLY BEEN GENERALLY REGARDED BY ALL INTERESTED PARTIES AS

JAPANESE COMMITMENT. U.S. INTEREST, FROM STANDPOINT OF POSSIBLE EQUITY, U.S. EQUIPMENT SUPPLY, AND EXIM FINANCING, HAS LATELY BEEN CONCENTRATED INSTEAD ON SECOND KOREAN INTEGRATED STEEL MILL FOR WHICH U.S. STEEL ENGINEERS AND CONSULTANTS ARE JUST COMPLETING FEASIBILITY STUDY WITH EXIM FUNDING.
ERICSON

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Message Attributes

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